

PAKISTAN PAPERSACK CORPORATION LTD AND ITS SUBSIDIARY COMPANY

DIRECTORS' REVIEW ON THE CONSOLIDATED ACCOUNTS TO THE SHAREHOLDERS

The Directors are pleased to present to the shareholders, the un-audited consolidated financial statements of the Group for the nine months and quarter ended March 31, 2005.

FINANCIAL PERFORMANCE OF THE GROUP

During the quarter and nine months under review the operating results as compared to the same periods last year remained as follows:

| | <u>For the nine months</u> | | <u>For the Quarter</u> | |
|------------------------|----------------------------|---------|------------------------|-----------|
| | July 04 | July 03 | Jan.-Mar. | Jan.-Mar. |
| | -Mar 05 | -Mar 04 | 2005 | 2004 |
| | | | Rs. in '000' | |
| Sales | 661,027 | 628,376 | 226,692 | 217,011 |
| Operating Profit | 56,261 | 56,530 | 8,337 | 16,405 |
| Profit before Taxation | 49,900 | 51,107 | 6,589 | 14,395 |

Total Group sales during the nine months ended March 31, 2005 increased by 5.2% as compared to corresponding period last year. Operating profit has shown a marginal decrease of 0.48% against the corresponding period last year. The Director's Review giving commentary on holding Company's performance for the nine months ended March 31, 2005, has been presented separately.

During the nine months ended March 31, 2005 the profitability of the Company's subsidiary Noble Computer Services (Pvt.) Ltd (NCSL) has declined as compared with the corresponding period last year. NCSL sales and services declined by 6.25% from Rs. 25.63 million to Rs. 24.03 million, its profit before tax has consequently shown a decline of 0.714 million a decrease of 22.18 % from Rs. 3.219 million to Rs. 2.505 million

MERGER

The detailed scheme of the proposed merger of the Company and Khyber Papers (Private) Ltd with Thal Limited is in process.

On behalf of the
Board of Directors

S. Z. Kazmi
Chief Executive

Karachi: April 14, 2005

Pakistan Papersack Corporation Limited and its subsidiary Company
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2005
(UN-AUDITED)

| | Note | March 31 2005 (Un-audited) | June 30, 2004 (Audited) (Restated) |
|---|------|----------------------------------|---|
| -----Rs.000's----- | | | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 60,066 | 55,213 |
| Long term investments | | 87,221 | 77,699 |
| Long term deposits | | 3,765 | 4,379 |
| CURRENT ASSETS | | | |
| Stores and spares | | 17,738 | 17,224 |
| Stock-in-trade | 6 | 312,242 | 172,279 |
| Trade debts | | 186,223 | 134,751 |
| Advances | | 8,210 | 9,220 |
| Deposits and prepayments | | 2,815 | 3,091 |
| Income tax recoverable-net | | 21,751 | 17,717 |
| Other receivables | | 8,164 | 23,682 |
| Short term investments | | 3,000 | - |
| Cash and bank balances | | 3,422 | 111,449 |
| | | 563,565 | 489,413 |
| TOTAL ASSETS | | 714,617 | 626,704 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Authorised capital 20,000,000 ordinary shares of Rs.5/- each | | 100,000 | 100,000 |
| Issued, subscribed and paid-up capital | | 68,993 | 68,993 |
| Revenue reserves | | 346,872 | 312,372 |
| Un-appropriated profit | | 48,680 | 76,293 |
| Net unrealised gain on investments | | 47,234 | 36,802 |
| | | 511,779 | 494,460 |
| Minority Interest | | 22 | 19 |
| NON-CURRENT LIABILITIES | | | |
| Deferred taxation | | 5,274 | 5,412 |
| CURRENT LIABILITIES | | | |
| Short term and running finances | | 93,656 | 44,969 |
| Creditors, accrued and other liabilities | | 103,886 | 81,844 |
| | | 197,542 | 126,813 |
| CONTINGENCIES AND COMMITMENTS | 5 | | |
| TOTAL EQUITY AND LIABILITIES | | 714,617 | 626,704 |

The annexed notes from 1 to 9 form integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited and its subsidiary Company
CONSOLIDATED PROFIT & LOSS ACCOUNT
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2005
(UN-AUDITED)

| | For the nine months | | For the Quarter | |
|--|-------------------------------|-------------------------------|------------------------------|------------------------------|
| | July - March (2004 - 2005) | July - March (2003 - 2004) | January - March (2 0 0 5) | January - March (2 0 0 4) |
| | ----- Rs.000's ----- | | | |
| Net sales | 661,027 | 628,376 | 226,692 | 217,011 |
| Cost of sales | (540,402) | (514,029) | (190,613) | (176,569) |
| Gross profit | 120,625 | 114,347 | 36,079 | 40,442 |
| Administrative expenses | (57,208) | (53,811) | (19,382) | (18,345) |
| Selling & distribution expenses | (33,258) | (25,307) | (10,060) | (7,166) |
| Other income | 24,928 | 19,635 | 1,540 | 481 |
| Profit on trading | 1,174 | 1,666 | 160 | 993 |
| | (64,364) | (57,817) | (27,742) | (24,037) |
| Operating profit | 56,261 | 56,530 | 8,337 | 16,405 |
| Financial charges | (2,813) | (1,874) | (1,310) | (1,036) |
| Other charges: | | | | |
| Workers' profit participation fund | (2,548) | (2,572) | (300) | (706) |
| Workers' welfare fund | (1,000) | (977) | (138) | (268) |
| | (6,361) | (5,423) | (1,748) | (2,010) |
| Profit before taxation | 49,900 | 51,107 | 6,589 | 14,395 |
| Taxation | (11,963) | (12,249) | (2,228) | (5,070) |
| Profit after taxation | 37,937 | 38,858 | 4,361 | 9,325 |
| Basic/diluted earnings per share - Rs. | 2.75 | 2.82 | 0.32 | 0.68 |

The annexed notes from 1 to 9 form integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited and its subsidiary Company
CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31,2005
(UN-AUDITED)

| | July - March (2004 - 2005) | July - March (2003 - 2004) |
|---|-------------------------------|-------------------------------|
| | -----Rs.000's----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 49,900 | 51,107 |
| Adjustment for non-cash charges and other items: | | |
| Depreciation | 10,123 | 8,225 |
| Investment income | (18,174) | (18,907) |
| Sale of goodwill & brand name of trading business | (2,500) | - |
| Financial charges | 2,813 | 1,874 |
| Gain on sale of fixed assets | (2,196) | (582) |
| | (9,934) | (9,390) |
| Operating profit before working capital changes | 39,966 | 41,717 |
| (Increase)/decrease in current assets | | |
| Stores and spares | (514) | (421) |
| Stock-in-trade | (139,963) | (6,120) |
| Trade debts | (51,472) | 3,206 |
| Advances | 1,010 | (3,791) |
| Deposits and prepayments | 276 | (81) |
| Other receivables | 15,518 | (825) |
| | (175,145) | (8,032) |
| Increase/(decrease) in current liabilities | | |
| Creditors, accrued and other liabilities excluding dividend, mark-up and interest | 21,493 | (21,851) |
| | (153,652) | (29,883) |
| Cash (used in)/generated from operations | (113,686) | 11,834 |
| Financial charges paid | (2,253) | (1,724) |
| Income tax paid | (16,135) | (28,318) |
| Encashment of COIs | 710 | - |
| Long-term deposits & prepayments | 614 | (12) |
| | (17,064) | (30,054) |
| Net cash (used in)/generated from operating activities (A) | (130,750) | (18,220) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditure | (15,805) | (17,304) |
| Dividends received | 18,174 | 18,923 |
| Sale of goodwill & brand name of trading business | 2,500 | - |
| Proceeds from disposal of fixed assets | 3,025 | 1,515 |
| (Investment)/Disinvestment in shares | 200 | (4,862) |
| Net cash (used in)/generated from investing activities (B) | 8,094 | (1,728) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (31,058) | (34,163) |
| Net cash (used in)/generated from financing activities (C) | (31,058) | (34,163) |
| Net (decrease)/increase in cash and cash equivalents (A+B+C) | (153,714) | (54,111) |
| Cash and cash equivalents at beginning of the period | 66,480 | 71,850 |
| Cash and cash equivalents at end of the period | (87,234) | 17,739 |
| Cash and cash equivalents comprise: | | |
| Cash and bank balances | 3,422 | 49,225 |
| Short-term Investment | 3,000 | 4,700 |
| Short-term and running finances | (93,656) | (36,186) |
| | (87,234) | 17,739 |

The annexed notes from 1 to 9 form integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited and its subsidiary Company

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2005
(UN-AUDITED)

| Note | Issued, subscribed and fully paid-up | Revenue | Unappropriated | Net unrealised | Total |
|---|---|----------|----------------|-------------------------|----------|
| | share capital | Reserve | profit | gains on investments | |
| ----- Rs.000's ----- | | | | | |
| Balance as at June 30, 2003 - as previously reported | 68,994 | 312,375 | 8,723 | 9,905 | 399,997 |
| Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end | | | | | |
| - Dividend | - | - | 34,496 | - | 34,496 |
| - Transfer to revenue reserve | - | (45,000) | 45,000 | - | - |
| Balance as at June 30, 2003 - restated | 68,994 | 267,375 | 88,219 | 9,905 | 434,493 |
| Effect of change in accounting policy - Appropriations for the year ended June 30, 2003 declared subsequent to the year end | | | | | |
| - Dividend | - | - | (34,496) | - | (34,496) |
| - Transfer to revenue reserve | - | 45,000 | (45,000) | - | - |
| Net profit for the period | - | - | 38,858 | - | 38,858 |
| Unrealised gain on investments | - | - | - | 19,855 | 19,855 |
| Balance as at March 31, 2004 | 68,994 | 312,375 | 47,581 | 29,760 | 458,710 |
| Balance as at June 30, 2004 - as previously reported | 68,994 | 346,875 | 10,761 | 36,802 | 463,432 |
| Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end | | | | | |
| - Dividend | - | - | 31,047 | - | 31,047 |
| - Transfer to revenue reserve | - | (34,500) | 34,500 | - | - |
| Balance as at June 30, 2004 - restated | 68,994 | 312,375 | 76,308 | 36,802 | 494,479 |
| Effect of change in accounting policy - Appropriations for the year ended June 30, 2004 declared subsequent to the year end | | | | | |
| - Dividend | - | - | (31,047) | - | (31,047) |
| - Transfer to revenue reserve | - | 34,500 | (34,500) | - | - |
| Net profit for the period | - | - | 37,937 | - | 37,937 |
| Unrealised gain on investments | - | - | - | 10,432 | 10,432 |
| Balance as at March 31, 2005 | 68,994 | 346,875 | 48,698 | 47,234 | 511,801 |

The annexed notes from 1 to 9 form integral part of these financial statements.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director

Pakistan Papersack Corporation Limited
SELECTED EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2005
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan in 1973. Its shares are quoted on the Stock Exchanges of Karachi and Lahore. The registered office of the company is situated at 5th Floor, Siddiqsons Towers, 3-Jinnah Cooperative Housing Society, Sharea Faisal, Karachi. The principal business activities of different divisions of the Company are as follows:

| | Division | Principal Activities | Location of Undertaking | Commencement of Commercial Production |
|----|-----------------------|--|--------------------------------|--|
| 1. | Balochistan Laminates | Formite Sheets and Laminates Manufacturing | Hub Chowki, Balochistan | January 1, 1981 |
| 2. | Stepped-end | Papersack Manufacturing | Hub Chowki Balochistan | April 1, 1986 |

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" as applicable in Pakistan and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation followed for the preparation of these financial statements are the same as those applied in the preparation of the financial statements for the preceding year ended June 30, 2004, except for the change mentioned in note 3.2.

3.2 Change in accounting policy

"During the period, the Securities and Exchange Commission of Pakistan substituted the Fourth Schedule to the Companies Ordinance, 1984, effective from the financial year ending on or after July 5, 2004. This has resulted in the change in accounting policy pertaining to the recognition of dividends and other appropriations declared subsequent to the year / period end. Dividends and other appropriations to general reserve are now recognised in the period in which these are declared. Up until the previous year, dividends declared and appropriations made after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date. The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the bench mark treatment specified in IAS - 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies).

Had there been no change in accounting policy, the unappropriated profit for the year ended June 30, 2004 would have been lower by Rs.65,547(000) [June 30, 2003: Rs.79,496(000)] and the liability for proposed dividend and general reserve would have been higher for the year ended June 30, 2004 by Rs.31,047(000) [June 30, 2003: Rs.34,496(000)] and Rs.34,500(000) [June 30, 2003: Rs.45,000(000)] respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current period.

4. PROPERTY, PLANT & EQUIPMENT

The following additions and deletions were made in property, plant and equipment during the period:

| | July - March (2004 - 2005) | | July - March (2003 - 2004) | |
|----------------------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
| | Additions (cost) | Deletions (book value) | Additions (cost) | Deletions (book value) |
| | ----- Rs.000's ----- | | | |
| Plant and machinery | 6,874 | | 7,061 | - |
| Furniture and fixtures | 18 | | 18 | - |
| Vehicles | 4,381 | 531 | 167 | 693 |
| Office & Factory equipment | 140 | 38 | 94 | 33 |
| Computers | 865 | 172 | 208 | - |
| | <u>12,278</u> | <u>741</u> | <u>7,548</u> | <u>726</u> |

Pakistan Papersack Corporation Limited and its subsidiary Company

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

The following changes have occurred in the contingent liabilities of the company since the last balance sheet date:

- (a) Bank guarantees amounting to Rs.19.359 million (June 30, 2004: Rs.17.388 million) were in issue against the performance of sales agreements to various companies and to customs authorities.
- (b) The company had filed appeal with the Collector Sales Tax (Appeals) against the penalty amounting to Rs. 0.16 million levied by the Sales tax department on account of non submission of monthly sales tax returns of trading activities of the company. During the period the collector of appeals had decided the case against the company, in response to which the company filed an appeal with the Honorable Customs, Excise and Sales Tax Appellate Tribunal (CESTAT), Karachi. The company has won the case and the orders imposing the penalty has been set-aside.
- (c) The case under section 66-A of the repealed Income Tax Ordinance, 1979 reopened by the Income Tax Department for the Assessment Year 1999-2000 has been decided. The additional tax liability has been reduced to Rs.0.135 million from Rs.4 million by the department, which has been paid by the company.

5.2 Commitments

Commitments for rentals under operating lease agreements in respect of vehicles amounted to Rs.8.059 million (June 30, 2004: Rs.5.750 million).

- 6. There are no unusual items included in the accounts affecting assets, liabilities, equity, net income or cash flows of the company except that stock of jam and jelly imported for trading purposes has been written down by Rs.0.439 million and the goodwill and trade name of the food trading business has been disposed off for Rs. 2.5 million.

7. TRANSACTIONS WITH RELATED PARTIES

| | For the nine months | | For the quarter | |
|--------------------|----------------------|----------------------|----------------------|----------------------|
| | March 31, 2 0 0 5 | March 31, 2 0 0 4 | March 31, 2 0 0 5 | March 31, 2 0 0 4 |
| | ----- Rs.000's ----- | | | |
| Sales of goods | 7,315 | 2,208 | 1,472 | 739 |
| Purchase of goods | 45,828 | 41,562 | 14,536 | 15,695 |
| Interest received | 681 | - | 4 | - |
| Financial expenses | 107 | - | 35 | - |
| Services acquired | 4,803 | 3,446 | 622 | 1,020 |
| Services provided | 11,078 | 9,234 | 5,708 | 3,208 |
| Vehicles purchased | 1,211 | 1,547 | - | - |

Transactions with related parties are carried out at arm's length prices using admissible valuation methods.

Pakistan Papersack Corporation Limited and its subsidiary Company

8. GENERAL

8.1 Due to certain changes made by the SECP in the Fourth Schedule to the Ordinance vide SRO 589(I)/2004 dated July 5, 2004, previous period's figures have been rearranged or reclassified wherever necessary for the purpose of comparison.

8.2 Other major changes are as follows

| Statement | Component | Reclassification from | Reclassification to | Reason | Rupees in 000 |
|---------------|---------------------------------|--------------------------------------|-------------------------------------|-------------------------|---------------|
| Balance Sheet | Income tax | Other receivables | Income tax recoverable - net | For better presentation | 17,717 |
| Cash Flow | Short term and Running Finances | Cash generated from operations | Cash & cash equivalents | For better presentation | 36,186 |
| Cash Flow | Long term deposits | Cash flows from financing activities | Cash flow from operating activities | For better presentation | 12 |

8.3 Figures have been rounded off to the nearest thousand rupee.

9. DATE OF AUTHORISATION FOR ISSUE

These un-audited financial statements were authorised for issue on April 14, 2005 by the Board of Directors of the company.

S. Z. Kazmi
Chief Executive

Kersi D. Kapadia
Director